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Prepared By _____

Approved By _____

Senate Constitutional Amendment No. ____

A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by amending Section 4 of, and by adding Section 4.5 to, Article XIII A thereof, by amending Section 2 of Article XIII C thereof, and by amending Section 18 of Article XVI thereof, relating to local government finance.

Resolved by the Senate, the Assembly concurring, That the Legislature of the State of California at its 2011–12 Regular Session commencing on the sixth day of December 2010, two-thirds of the membership of each house concurring, hereby proposes to the people of the State of California, that the Constitution of the State be amended as follows:

First—That Section 4 of Article XIII A thereof is amended to read:

SEC. 4. ~~Cities, Counties and special districts, Except as provided by Section 4.5, a city, county, or special district,~~ by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district, except ad valorem taxes on real property or a transaction tax or sales tax on the sale of real property within such City, County or special district.

Second—That Section 4.5 is added to Article XIII A thereof, to read:

SEC. 4.5. (a) Notwithstanding any other law, the imposition, extension, or increase by a city, county, or special district of either of the following taxes, as may be otherwise authorized by law, is subject to approval by at least 55 percent of the voters in the city, county, or special district voting on the proposition:

(1) (A) A transactions and use tax, which conforms to the Transactions and Use Tax Law (Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code), or a successor statute, other than any provision limiting the combined rate of transactions and use taxes in a county.

(B) The combined rate of all of the transactions and use taxes approved in accordance with this subdivision that are imposed in any portion of a county,

whether by a single jurisdiction or multiple jurisdictions, shall not at any time exceed 1 percent.

(2) (A) A fuel excise tax, as defined by statute.

(B) The combined rate of all of the fuel excise taxes approved in accordance with this subdivision that are imposed in any portion of the county, whether by a single jurisdiction or multiple jurisdictions, shall not at any time exceed 10 percent of the California average fuel price, without tax, in the calendar year immediately preceding the year in which a fuel excise tax is first approved in that county in accordance with this subdivision.

(b) The revenues, net of refunds and costs of administration, derived from a tax approved in accordance with subdivision (a), shall be expended only to fund capital public works and governmental infrastructure, as may be defined in statute, or an infrastructure activity authorized pursuant to the Community Redevelopment Law (Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code), or its successor statute, or to pay debt service on bonds authorized pursuant to subdivision (c) of Section 18 of Article XVI.

(c) The proposition imposing, extending, or increasing any of the taxes authorized pursuant to subdivision (a) shall specify the manner in which the revenues derived from the tax shall be used, and the methods by which accountability for the use of the revenues derived from the taxes will be ensured.

(d) (1) If two or more propositions are approved by the electorate in accordance with subdivision (a) at the same election that would result in a combined tax rate in any portion of the county that exceeds the limitation of either paragraph

(1) or (2) of subdivision (a), the votes cast for and against each proposition shall be counted separately and only the tax rate in the proposition with the highest percentage of voter approval shall be deemed adopted in full in that portion of the county in which the rate limitation would be exceeded. The tax rate in the proposition receiving the next highest percentage of voter approval shall be deemed adopted in that portion of the county to the extent that, when combined with the tax rate in the proposition receiving the highest level of voter approval, it would not cause the combined tax rate to exceed the limitation of either paragraph (1) or paragraph (2) of subdivision (a), as applicable.

(2) A transactions and use tax rate or fuel excise tax rate shall not be considered to have been approved in accordance with subdivision (a) if, upon its adoption, the combined rate of tax in any portion of the county would exceed the limitation of either paragraph (1) or paragraph (2) of subdivision (a).

Third—That Section 2 of Article XIII C thereof is amended to read:

SEC. 2. Local Government Tax Limitation. Notwithstanding any other provision of this Constitution:

(a) All taxes imposed by any local government shall be deemed to be either general taxes or special taxes. Special purpose districts or agencies, including school districts, shall have no power to levy general taxes.

(b) No local government may impose, extend, or increase any general tax unless and until that tax is submitted to the electorate and approved by a majority vote. A general tax shall not be deemed to have been increased if it is imposed at a rate not higher than the maximum rate so approved. The election required by

this subdivision shall be consolidated with a regularly scheduled general election for members of the governing body of the local government, except in cases of emergency declared by a unanimous vote of the governing body.

(c) Any general tax imposed, extended, or increased, without voter approval, by any local government on or after January 1, 1995, and prior to the effective date of this article, shall continue to be imposed only if approved by a majority vote of the voters voting in an election on the issue of the imposition, which election shall be held within two years of the effective date of this article and in compliance with subdivision (b).

(d) ~~No~~ Except as provided by Section 4.5 of Article XIII A, a local government may not impose, extend, or increase any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote. A special tax shall not be deemed to have been increased if it is imposed at a rate not higher than the maximum rate so approved.

Fourth—That Section 18 of Article XVI thereof is amended to read:

SEC. 18. (a) No county, city, town, township, board of education, or school district, shall incur any indebtedness or liability in any manner or for any purpose exceeding in any year the income and revenue provided for such year, without the assent of two-thirds of the voters of the public entity voting at an election to be held for that purpose, except that with respect to any such public entity which is authorized to incur indebtedness for public school purposes, any proposition for the incurrence of indebtedness in the form of general obligation bonds for the purpose of repairing, reconstructing or replacing public school buildings

determined, in the manner prescribed by law, to be structurally unsafe for school use, shall be adopted upon the approval of a majority of the voters of the public entity voting on the proposition at such election; nor unless before or at the time of incurring such indebtedness provision shall be made for the collection of an annual tax sufficient to pay the interest on such indebtedness as it falls due, and to provide for a sinking fund for the payment of the principal thereof, on or before maturity, which shall not exceed forty years from the time of contracting the indebtedness.

(b) Notwithstanding subdivision (a), on or after the effective date of the measure adding this subdivision, in the case of any school district, community college district, or county office of education, any proposition for the incurrence of indebtedness in the form of general obligation bonds for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities, shall be adopted upon the approval of 55 percent of the voters of the district or county, as appropriate, voting on the proposition at an election. This subdivision shall apply only to a proposition for the incurrence of indebtedness in the form of general obligation bonds for the purposes specified in this subdivision if the proposition meets all of the accountability requirements of paragraph (3) of subdivision (b) of Section 1 of Article XIII A.

(c) (1) Notwithstanding subdivision (a), a county or city may incur indebtedness in the form of general obligation bonds to fund capital public works and governmental infrastructure, as may be defined in statute, or an infrastructure

activity authorized pursuant to the Community Redevelopment Law (Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code), or its successor statute, upon the approval of 55 percent of the voters of the county or city, as the case may be, voting on the proposition at a primary or general election. A proposition submitted to voters pursuant to this subdivision shall specify the proposed uses of the bond proceeds and the methods by which accountability for the use of the proceeds will be ensured.

(2) The principal and interest on debt issued pursuant to this subdivision may be paid from revenues derived from any tax or assessment as may be allowed by law to be expended for that purpose. This subdivision does not reduce any requirement imposed by law for the approval of two-thirds of the voters voting on the proposition for a property tax rate to pay the principal and interest on indebtedness.

(e)

(d) When two or more propositions for incurring any indebtedness or liability are submitted at the same election, the votes cast for and against each proposition shall be counted separately, and when two-thirds or a majority or 55 percent of the voters, as the case may be, voting on any one of those propositions, vote in favor thereof, the proposition shall be deemed adopted.

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Approved By _____

LEGISLATIVE COUNSEL'S DIGEST

SCA No.

as introduced, _____.

General Subject: Local government bonds: special taxes: voter approval.

The California Constitution conditions the imposition of a special tax by a city, county, or special district upon the approval of $\frac{2}{3}$ of the voters of the city, county, or special district voting on that tax, and prohibits these entities from imposing an ad valorem tax on real property or a transactions or sales tax on the sale of real property.

This measure would alternatively condition the imposition, extension, or increase of a transactions and use tax, or a fuel excise tax, by a city, county, or special district upon the approval of 55% of its voters voting on the proposition. This measure would limit the use of the revenues derived from these taxes to the funding of capital public works and governmental infrastructure, as may be defined in statute, an infrastructure activity authorized under specified redevelopment statutes, or the payment of debt service on bonds that may be issued for those same purposes upon the approval of 55%

of the voters voting on the proposition. This measure would also make conforming changes to related provisions.

The California Constitution prohibits specified local government agencies from incurring any indebtedness exceeding in one year the income and revenue provided in that year, without the assent of $\frac{2}{3}$ of the voters and subject to other conditions. In the case of a school district, community college district, or county office of education, the California Constitution permits a proposition for the incurrence of indebtedness in the form of general obligation bonds for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities, to be adopted upon the approval of 55% of the voters of the district or county, as appropriate, voting on the proposition at an election.

This measure would lower to 55% the voter-approval threshold for a city or county to incur indebtedness in the form of general obligation bonds to fund capital public works and governmental infrastructure, as may be defined in statute, or an infrastructure activity authorized under specified redevelopment statutes. This measure would also state that it does not reduce any requirement imposed by law for the approval of $\frac{2}{3}$ of the voters for a property tax rate to pay the principal and interest on indebtedness.

Vote: 2/3. Appropriation: no. Fiscal committee: no. State-mandated local program: no.